

City Of Ashland, Nebraska

September 30, 2021



City Of Ashland, Nebraska

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Ashland, Nebraska

We have audited the accompanying financial statements of the governmental funds (in accordance with the cash basis of accounting) and the proprietary fund (in accordance with accounting principles generally accepted in the United States of America) of the City of Ashland, Nebraska (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the governmental funds financial statements in accordance with the cash basis of accounting and the proprietary fund financial statements in accordance with accounting principles generally accepted in the United States of America as described in Note 1. This includes determining that the basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

Management has chosen not to include government-wide financial statements since the governmental funds and the proprietary fund would not be presented on the same basis of accounting and therefore not conducive to combined presentation. The government-wide financial statements are required by the Government Accounting Standards Board. If the omitted statements were included in the financial statements, they might influence the user's conclusions about the City's financial position, and results of activities. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds (in accordance with the cash basis of accounting), and the proprietary fund (in accordance with accounting principles generally accepted in the United States of America) of the City, as of September 30, 2021, and the respective changes in fund balance of the governmental funds, financial position and cash flow of the proprietary fund for the year then ended in accordance with the cash basis of accounting and accrual basis of accounting described in Note 1.

Basis of Accounting

We draw your attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements of the governmental funds are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not required parts of the basic financial statements. We have applied certain limited procedures to the other supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated February 7, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Omaha, Nebraska
February 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Ashland's annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Beginning with the fiscal year 2014, the City Council decided to present the City's governmental funds financial statements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The proprietary funds, however, will continue to be presented on the accrual basis of accounting. Because of this modification, the financial statements do not include government-wide financial statements since the governmental activities and business-type activities would not be presented on the same basis of accounting and therefore not conducive to combined presentation.

The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes to the financial statements.

This discussion focuses on the City as the primary government and does not include any separate component units because there are no such entities meeting the requirements for inclusion in the financial statements as set forth by the Government Accounting Standards Board.

Financial Highlights

- The City's governmental funds reported a net increase in fund balance of \$238,810 and a total ending fund balance of \$2,490,858.
- The City's proprietary funds reported a net increase in net position of \$212,757 and a total ending net position balance of \$6,416,580.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) fund financial statements and (2) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two types of funds:

Governmental funds provide information related to activities that are principally supported by taxes and intergovernmental revenues. They are useful in evaluating annual financing requirements of governmental programs and the commitment of expendable resources for the near term.

Budgetary schedules for the three types of governmental funds are included as supplementary information. These schedules demonstrate compliance with the City's adopted budget.

Proprietary funds report services for which the City charges customers a fee. There are two kinds of proprietary funds, enterprise funds and internal service funds. *Enterprise funds* provide services to customers external to the City organization such as the water and wastewater utilities. *Internal service funds* provide services and charge fees to customers within the City organization such as equipment repair and maintenance. The City currently has no internal service funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the Governmental Funds

Revenues from governmental funds totaled \$3,317,537 in 2021, a decrease of \$265,400 from 2020 revenues of \$3,582,937. The amounts of revenue by source are summarized below:

	<u>2021</u>	<u>2020</u>
Taxes	\$ 1,982,335	\$ 1,726,039
Special assessments	4,306	-
Licenses and permits	162,863	84,203
Intergovernmental	493,464	427,175
Charges for services	233,734	219,689
Keno	47,565	48,111
Interest income	6,230	5,304
Housing rehabilitation program	11,843	46,539
Other	375,197	1,025,877
	<u>\$ 3,317,537</u>	<u>\$ 3,582,937</u>

As depicted in the above summary, the City relies heavily on property taxes to support its governmental operations. Tax revenue provided approximately 60% of the City's total governmental revenues. In the prior year, taxes accounted for approximately 48% of the total governmental revenue.

The decrease in revenue is related to several miscellaneous revenues received in the prior year including a reimbursement received from NDOT for the Silver Street Bridge project, FEMA funds for flood damage incurred during the prior fiscal year, and reimbursement funds for the Salt Creek Stabilization project from the LSNRD and neighboring property owners.

Expenditures of governmental funds totaled \$3,064,162 for 2021, a decrease of \$1,355,073 from 2020 expenditures of \$4,419,235. These expenditures, by function, are summarized below:

	<u>2021</u>	<u>2020</u>
General government	\$ 478,824	\$ 348,636
Streets and street lightening	897,869	998,666
Public health safety	622,565	781,121
Culture and recreation	504,955	427,609
Public buildings and inspections	103,671	83,669
Community development	39,685	36,043
Debt service	416,593	1,743,491
	<u>\$ 3,064,162</u>	<u>\$ 4,419,235</u>

The major decrease in expenditures relates to a bond refunding that occurred in the prior year.

Financial Analysis of the Proprietary Funds

The City's proprietary fund's net position at the end of the fiscal year was \$6,416,580. The following table provides a summary of this net position as compared to the prior year:

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,619,052	\$ 1,076,795
Capital assets	9,160,412	9,535,140
Total assets	<u>\$ 10,779,464</u>	<u>\$ 10,611,935</u>
Current liabilities	\$ 832,884	\$ 478,112
Long-term liabilities	3,530,000	3,930,000
Total liabilities	<u>\$ 4,362,884</u>	<u>\$ 4,408,112</u>
Net position		
Net invested in capital assets	\$ 5,240,412	\$ 5,210,140
Unrestricted	1,176,168	993,683
Total net position	<u>\$ 6,416,580</u>	<u>\$ 6,203,823</u>

This reflects an increase in net position for current year activity of \$212,757 for the City; an indication that the Proprietary Fund's overall financial position improved during fiscal year 2021.

Proprietary fund activities are shown comparing costs to revenues generated by related services. The water and sanitary sewer systems are designed to be self-supporting with user charges and other revenues designed to recover costs.

	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 1,530,323	\$ 1,460,691
Operating expenses	(1,253,311)	(1,093,685)
Operating income	277,012	367,006
Non-operating expenses	(64,255)	(46,183)
Increase in net position	<u>\$ 212,757</u>	<u>\$ 320,823</u>

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2021 included projected revenues of \$3,410,446. This was a decrease of \$221,386 over the previous year budget of \$3,631,832. Actual revenues were significantly lower than budgeted revenues due to a Housing Rehabilitation Program grant not being received as planned.

The expenditure budget was \$3,350,753, a decrease of \$333,152 over the previous year budget of \$3,683,905. Actual expenditures were significantly lower than budgeted expenditures due to project delays from not receiving grant income as well as a city enforced spending decline to lessen the impact of COVID-19 pandemic.

Assessed Valuation and Property Taxes

Assessed valuation for property within the corporate city limits increased 23.93% over the past year. Valuation for tax year 2021 and 2020 was \$164,552,590 and \$132,780,831, respectively. Tax rates are applied to every \$100 of actual valuation. The breakdown of tax rates for 2020-21 and the preceding year are as follows:

	<u>2021</u>	<u>2020</u>
General fund	.4500	.4499
Debt service fund	<u>.1260</u>	<u>.2520</u>
Total	<u>.5760</u>	<u>.7019</u>

Debt Administration

As of September 30, 2021, the City had total bonded debt outstanding of \$5,780,000 in both governmental funds and proprietary funds. The City's administration continues to monitor call dates and interest rates in order to refinance any long-term debt that would save the City money. Future bond payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 600,000	\$ 87,181	\$ 687,181
2023	625,000	75,953	700,953
2024	645,000	68,353	713,353
2025	670,000	60,050	730,050
2026	675,000	50,780	725,780
2027-2031	<u>2,565,000</u>	<u>108,952</u>	<u>2,673,952</u>
Total	<u>\$ 5,780,000</u>	<u>\$ 451,269</u>	<u>\$ 6,231,269</u>

Economic Factors and Next Year's Budget

The general outlook for the Ashland economy for the next year is for minimal increases in both revenues and expenditures. The City continues to be challenged to comply with the State imposed budget limitations. This will continue to be difficult until the City can expand the tax base. The City's administration continues to monitor non-essential expenditures. The strict monitoring is not designed to reduce the City's ability to provide a consistent level of services, but rather, to make certain that non-essential spending is limited or deferred.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, please contact Ashland City Hall, 2304 Silver Street, Ashland, Nebraska 68003.

City of Ashland, Nebraska
Balance Sheet - Governmental Funds - Cash Basis
September 30, 2021

	General	Debt Service	Special Revenue Keno	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,302,776	\$ 733,708	\$ 114,948	\$ 2,151,432
Restricted cash	207,310	-	-	207,310
Cash with County Treasurer	24,602	10,366	-	34,968
Certificates of deposit	102,057	-	-	102,057
Due from other funds	260	302,931	-	303,191
	<u>260</u>	<u>302,931</u>	<u>-</u>	<u>303,191</u>
 Total assets	 <u>\$ 1,637,005</u>	 <u>\$ 1,047,005</u>	 <u>\$ 114,948</u>	 <u>\$ 2,798,958</u>
Liabilities				
Due to other funds	\$ 302,931	\$ 5,169	\$ -	\$ 308,100
	<u>302,931</u>	<u>5,169</u>	<u>-</u>	<u>308,100</u>
Fund balance				
Restricted for				
Debt service	\$ -	\$ 1,041,836	\$ -	\$ 1,041,836
Community betterment	-	-	114,948	114,948
Community development	207,310	-	-	207,310
Unassigned	1,126,764	-	-	1,126,764
Total fund balance	<u>1,334,074</u>	<u>1,041,836</u>	<u>114,948</u>	<u>2,490,858</u>
 Total liabilities and fund balance	 <u>\$ 1,637,005</u>	 <u>\$ 1,047,005</u>	 <u>\$ 114,948</u>	 <u>\$ 2,798,958</u>

City of Ashland, Nebraska
Statement of Revenues, Expenditures, and
Changes In Fund Balances - Governmental Funds - Cash Basis
For The Year Ended September 30, 2021

	General	Debt Service	Special Keno	Total Governmental
Revenues				
Taxes	\$ 1,581,339	\$ 400,996	\$ -	\$ 1,982,335
Special assessments	-	4,306	-	4,306
Licenses and permits	162,863	-	-	162,863
Intergovernmental revenues	459,411	34,053	-	493,464
Charges for services	233,734	-	-	233,734
Keno	-	-	47,565	47,565
Interest income	4,647	1,458	125	6,230
Housing rehabilitation program	11,843	-	-	11,843
Other revenues	375,197	-	-	375,197
Total revenues	<u>2,829,034</u>	<u>440,813</u>	<u>47,690</u>	<u>3,317,537</u>
Expenditures				
General government	455,106	4,071	19,647	478,824
Streets and street lighting	897,869	-	-	897,869
Public health and safety	622,565	-	-	622,565
Culture and recreation	504,955	-	-	504,955
Public buildings and inspections	103,671	-	-	103,671
Community development	-	-	39,685	39,685
Debt service				
Capital lease principal	32,416	59,167	-	91,583
Principal retirement	-	260,000	-	260,000
Interest	6,737	58,273	-	65,010
Total expenditures	<u>2,623,319</u>	<u>381,511</u>	<u>59,332</u>	<u>3,064,162</u>
Excess (deficiency) of revenues over expenditures	<u>205,715</u>	<u>59,302</u>	<u>(11,642)</u>	<u>253,375</u>
Other financing uses				
Transfer to other funds	(14,565)	-	-	(14,565)
Total other financing uses	<u>(14,565)</u>	<u>-</u>	<u>-</u>	<u>(14,565)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	191,150	59,302	(11,642)	238,810
Fund balance - beginning of year	<u>1,142,924</u>	<u>982,534</u>	<u>126,590</u>	<u>2,252,048</u>
Fund balance - end of year	<u>\$ 1,334,074</u>	<u>\$ 1,041,836</u>	<u>\$ 114,948</u>	<u>\$ 2,490,858</u>

City of Ashland, Nebraska
Statement Of Net Position - Proprietary Funds - Accrual Basis
September 30, 2021

Assets

	Utilities
Current assets	
Cash and cash equivalents	\$ 1,370,106
Certificates of deposit	93,020
Due from other funds	4,909
Utility billing receivables	151,017
Total current assets	1,619,052
Noncurrent assets	
Land	78,858
Utility systems	14,254,315
Equipment and furniture	1,181,866
Accumulated depreciation	(6,505,156)
Construction in progress	150,529
Net property, plant and equipment	9,160,412
Total assets	\$ 10,779,464

Liabilities and Net Position

Current liabilities	
Accounts payable	\$ 153,313
Accrued expenses	24,543
Water meter deposits	31,050
Deferred revenue	233,978
Current portion of noncurrent liabilities	390,000
Total current liabilities	832,884
Noncurrent liabilities	
Bonds payable, net of current portion	3,530,000
Total non-current liabilities	3,530,000
Net position	
Net invested in capital assets	5,240,412
Unrestricted	1,176,168
Total net position	6,416,580
Total liabilities and net position	\$ 10,779,464

City of Ashland, Nebraska
Statement of Revenues,
Expenses and Changes In Net Position
Proprietary Funds - Accrual Basis
For The Year Ended September 30, 2021

	Utilities
Operating revenues	
User fees	\$ 1,500,281
Late charges	28,115
Miscellaneous income	1,927
Total operating revenues	1,530,323
Operating expenses	
General administrative	360,365
Production and distribution	318,654
Depreciation and amortization	574,292
Total operating expenses	1,253,311
Operating income	277,012
Non-operating revenues (expenses)	
Interest income	2,390
Interest and fiscal fees	(81,210)
Transfer from other funds	14,565
Total non-operating revenues (expenses)	(64,255)
Change in net position	212,757
Net position - beginning of year	6,203,823
Net position - end of year	\$ 6,416,580

City of Ashland, Nebraska
Statement of Cash Flows
Proprietary Funds - Accrual Basis
For The Year Ended September 30, 2021

	Utilities
Cash flows from operating activities	
Cash receipts from customers	\$ 1,526,493
Other operating receipts	235,905
Cash payments to employees for services	(239,683)
Cash payments to suppliers for goods and services	(312,645)
Net cash provided by operating activities	1,210,070
Cash flows from noncapital financing activities	
Interfund transfers	14,565
Net cash provided by noncapital financing activities	14,565
Cash flows from capital and related financing activities	
Purchase of capital assets	(199,564)
Net discount received through refunding	(10,000)
Principal payment on bonds payable	(395,000)
Interest and fiscal fees paid on debt	(84,507)
Net cash used in capital and related financing activities	(689,071)
Cash flows from investing activities	
Interest on investments	2,390
Net sale of certificate of deposits	(325)
Net cash provided by investing activities	2,065
Net increase in cash and cash equivalents	537,629
Cash and cash equivalents - beginning of year	832,477
Cash and cash equivalents - end of year	\$ 1,370,106
Reconciliation of change in net assets to cash provided by operating activities	
Operating income	\$ 277,012
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	574,292
Increase in receivables	(4,303)
Increase in payables and accrued expenses	129,091
Increase in deferred revenue	233,978
Net cash provided by operating activities	\$ 1,210,070
Noncash capital and related financing activities	
Debt refunded through issuance of new debt	\$ 1,550,000

See accompanying notes to the basic financial statements.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of Ashland, Nebraska (the "City") are discussed in the subsequent section of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2021.

The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), streets, water, sanitary sewer, culture-recreation, public improvements, planning and zoning, and general administrative services.

Financial Reporting Entity

These financial statements present the financial statements of the City as the primary government. In determining its reporting entity, the City has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the City, or the significance of their relationship with the City are such that exclusion would make the financial statements misleading or incomplete. The Governmental Accounting Standards Board ("GASB") has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation. The City has no potential component units to include in its reporting entity.

Basis of Presentation

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. In addition, to the City's funds meeting the required criteria, the City's management has designated all remaining funds to be presented as major funds for financial reporting purposes.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Governmental Funds: These funds are reported using a cash measurement focus. Their reported fund balance is considered a measure of "available cash and investments." The operating statements focus on cash received and cash disbursed. The cash basis is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. This basis of accounting is applied to all transactions, including the disbursements for capital assets, receipt of proceeds from issuance of debt and the retirement of debt.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Proprietary Fund: This fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Fund Types and Major Funds

Governmental funds are those through which most general governmental functions of the City are financed. The City reports the following major governmental funds:

General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. This fund type includes the Keno Fund.

Proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The City reports the following major proprietary fund:

Utility Fund is used to account for the operations and capital needs to provide treated water, and wastewater collection and treatment to customers within the City and adjoining areas.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Net Position Flow Assumption

Net position is required to be classified into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- a. Net invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and unamortized bond issuance costs reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance,
(Continued)

Net Position Flow Assumption (Continued)

- b. Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted – This component consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use restricted resources first and the unrestricted resources as they are needed.

Fund Balance Flow Assumptions

Governmental fund equity is reported as fund balance within each respective fund. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City Code, state or federal laws or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City Council through an ordinance or resolution.
- d. Assigned – Amounts that are designated by the Mayor for specific purposes but are not spendable until a budget ordinance is passed by the City Council.
- e. Unassigned – All amounts not included in other spendable classifications.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Flow Assumptions (Continued)

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Cash and Investments

The City's reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables

In the proprietary fund statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Utility accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Capital Assets and Depreciation

The proprietary fund's property, plant, equipment and infrastructure with useful lives of more than one year are stated at historical cost and reported in the proprietary financial statements. The proprietary fund maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The proprietary fund generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings	15 – 40 years
Improvements and infrastructure	7 – 50 years
Equipment and furniture	4 – 20 years
Automobiles	4 – 10 years

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. As of September 30, 2021, the City had deferred inflows of resources of \$233,978 related to unspent COVID American Rescue Plan funds.

Long-term Debt, Deferred Debt Expense and Bond Discounts and Premiums

In the proprietary financial statements, outstanding debt is reported as a liability. Bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

Compensated Absences

The amounts of unpaid vacation accumulated by City employees are accrued as expenses when incurred in proprietary funds, which use the accrual basis of accounting. These amounts are included in accrued expenses on the statement of net position – proprietary funds. Compensated absences in the governmental funds are expensed when taken.

Revenues, Expenditures and Expenses

Property Taxes

The tax levy for the City is certified by the County Board each year. Real estate taxes are due and attach as an enforceable lien on December 31 following the levy date. The first half of real estate taxes becomes delinquent on April 1 and the second half becomes delinquent August 1 following the levy date. Delinquent taxes bear interest at a 14% annual rate. Property taxes are collected by the County Treasurer and are periodically remitted to the City.

The tax rate to finance governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2021 was \$.4500 per \$100 of assessed valuation and the debt service requirement was \$.1260 per \$100 of assessed valuation. The assessed valuation for the 2020-2021 tax year was \$164,552,590.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures/Expenses

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character and function

Proprietary fund – by operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Interfund Transfers

Permanent reallocation of resources between funds or the reporting entity is classified as transfers.

Use of Estimates

The preparation of the proprietary fund financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Information

An appropriated budget is adopted each fiscal year for the General, Special Revenue, Debt Service, and Utility Funds on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 20, the budget is legally enacted through passage of an ordinance and filed with the appropriate governmental entities and agencies.

The City Council adopts the budget on a per-fund basis and budgetary control is exercised at the fund level. The legal level of budgetary control is by fund type. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

An encumbrance system is not used by the City and all appropriations lapse at year-end.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The City did comply with its overall adopted budget for the year ended September 30, 2021.

NOTE 3 – DEPOSITS

Deposit risks include:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the City will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposits, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the City.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The City has not adopted a specific risk management policy for deposits but does require all deposits and investments be in compliance with the provisions of State statutes. Statutes authorize the City to invest in time deposits at banks selected as depositories of City funds, direct debt securities of the United States Government, and certain government agency bonds.

Cash is stated at cost, which approximates fair value. The City's cash deposits, including demand deposits and certificates of deposit, are insured by the Federal Deposit Insurance Corporation and securities held in safekeeping pledged to the entity where the security is held. At September 30, 2021, the City's deposits at banks were \$4,297,802; of which \$4,155,190 was covered by federal depository insurance or pledged security.

Cash with the Saunders County Treasurer of \$34,968 was covered by collateral held by the County or was invested in U.S. Government Securities held by the County's agent.

NOTE 4 – FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets.

Assets and liabilities are classified into one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. All of the City's certificates of deposits as of September 30, 2021, are categorized as Level 2 investments.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the proprietary fund for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Not being depreciated				
Land	\$ 78,858	\$ -	\$ -	\$ 78,858
Construction in progress	17,600	132,929	-	150,529
Subtotal	<u>96,458</u>	<u>132,929</u>	<u>-</u>	<u>229,387</u>
Other capital assets				
Improvement/infrastructure	14,254,315	-	-	14,254,315
Equipment and furniture	<u>1,115,231</u>	<u>66,635</u>	<u>-</u>	<u>1,181,866</u>
Subtotal	<u>15,369,546</u>	<u>66,635</u>	<u>-</u>	<u>15,436,181</u>
Accumulated depreciation:				
Improvement/infrastructure	(5,090,315)	(489,413)	-	(5,579,728)
Equipment and furniture	<u>(840,549)</u>	<u>(84,879)</u>	<u>-</u>	<u>(925,428)</u>
Subtotal	<u>(5,930,864)</u>	<u>(574,292)</u>	<u>-</u>	<u>(6,505,156)</u>
Net other capital assets	<u>9,438,682</u>	<u>(507,657)</u>	<u>-</u>	<u>8,931,025</u>
Net capital assets	<u>\$ 9,535,140</u>	<u>\$ (374,728)</u>	<u>\$ -</u>	<u>\$ 9,160,412</u>

NOTE 6 – LONG-TERM OBLIGATIONS

General obligation bonds, issued by the City for various municipal improvements, are repaid with property taxes recorded in the Debt Service Fund. The City has pledged its full faith and credit as collateral for the general obligation bonds. The City has no debt outstanding subject to legal debt limitations. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level.

Although the City does not report long-term obligations in the governmental fund financial statements, the information is presented below for additional information.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term debt obligations were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Funds</u>					
General Obligation					
Bonds payable	<u>\$ 2,120,000</u>	<u>\$ -</u>	<u>\$ (260,000)</u>	<u>\$ 1,860,000</u>	<u>\$ 210,000</u>
<u>Proprietary Funds</u>					
Bond payable	<u>\$ 4,325,000</u>	<u>\$ 1,540,000</u>	<u>\$ (1,945,000)</u>	<u>\$ 3,920,000</u>	<u>\$ 390,000</u>

Bonds Payable

Specific changes in the individual governmental bond issues were as follows:

Description	Interest Rate	Maturity Date	Balance 9/30/20	Net Additions (Reductions)	Balance 9/30/21
Governmental Funds:					
October 21, 2015 bond	0.45-2.60%	5/1/2024	\$ 100,000	\$ (75,000)	\$ 25,000
December 19, 2018 bond	2.05-3.15%	1/15/2019	455,000	(45,000)	410,000
October 3, 2019 bond	1.65-2.25%	1/15/2030	495,000	(45,000)	450,000
August 15, 2018 bond	2.45-3.60%	8/15/2031	560,000	(45,000)	515,000
January 29, 2020 bond	2.05-3.15%	2/1/2030	510,000	(50,000)	460,000
TOTAL			<u>\$ 2,120,000</u>	<u>\$ (260,000)</u>	<u>\$ 1,860,000</u>

Specific changes in the individual proprietary bond issues were as follows:

Description	Interest Rate	Maturity Date	Balance 9/30/20	Net Additions (Reductions)	Balance 9/30/21
Proprietary Funds:					
September 9, 2008 bond	0.40-2.75%	3/1/2027	\$ 490,000	\$ (490,000)	\$ -
October 21, 2015 bond	0.45-3.25%	9/15/2021	160,000	(160,000)	-
August 9, 2016 bond	0.80-2.65%	3/1/2031	1,185,000	(1,185,000)	-
June 17, 2020 bond	0.85-1.60%	9/15/2030	2,490,000	(110,000)	2,380,000
June 23, 2021 bond	0.30-1.35%	3/1/2031	-	1,540,000	1,540,000
TOTAL			<u>\$ 4,325,000</u>	<u>\$ (405,000)</u>	<u>\$ 3,920,000</u>

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

On June 23, 2021, the City issued General Obligation Sewer Refunding Bonds, Series 2021 in the amount of \$1,540,000 for the purpose of refunding \$1,120,000 of General Obligation Sewer Refunding Bonds, Series 2016, and \$430,000 of General Obligation Sewer Refunding Bonds, Series 2012. The bonds have an interest rate of 0.30% - 1.35% with semiannual maturity dates of March 1 and September 1 of each year through 2031. Payments begin on March 1, 2022. The City will benefit from debt service savings related to the bond refunding in the amount of \$100,994.

Annual Requirements

The annual debt service requirements to maturity for bonded debt as of September 30, 2021 are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental Funds			
2022	\$ 210,000	\$ 45,054	\$ 255,054
2023	190,000	39,364	229,364
2024	195,000	35,233	230,233
2025	200,000	30,912	230,912
2026	200,000	26,237	226,237
2027-2031	865,000	55,476	920,476
	<u>\$ 1,860,000</u>	<u>\$ 232,276</u>	<u>\$ 2,092,276</u>

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Proprietary Funds			
2022	\$ 390,000	\$ 42,127	\$ 432,127
2023	435,000	36,589	471,589
2024	450,000	33,120	483,120
2025	470,000	29,138	499,138
2026	475,000	24,543	499,543
2027-2031	1,700,000	53,476	1,753,476
	<u>\$ 3,920,000</u>	<u>\$ 218,993</u>	<u>\$ 4,138,993</u>

Leases

The City has entered into capital leases for equipment and vehicles in the governmental funds. The lease terms vary and are payable in monthly or quarterly installments.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a schedule by year of future minimum lease payments under these leases as of September 30, 2021:

Governmental Funds

Year ending September 30,

2022	\$	106,961
2023		83,367
2024		83,367
2025		39,153

NOTE 7 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 414. The plan is available to all full time City employees whose regular scheduled service is more than 32 hours per week and have been employed with the City for 6 months. The plan requires participating employees to make a 5% contribution of their compensation along with a 5% match by the City. The City continues to offer its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457 if the employees want to contribute more than the maximum 5% allowed to the 414H plan. The plan is available to all full time City employees whose regular scheduled service is more than 32 hours per week and have been employed with the City for 6 months. There is no employer match with the 457 plan. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust by a third party for the employees and are not reflected in these financial statements. The City's retirement expense was \$34,805 for the year ended September 30, 2021.

NOTE 8 – KENO FUND OPERATIONS

The following data summarizes the Keno (Special Revenue) Fund's gross activity for the year ended September 30, 2021:

Gross sales	\$	769,919
Less		
Prizes paid		(586,590)
Operator's commission		(110,507)
Held by operator		(25,462)
		<hr/>
Payments received		47,360
Miscellaneous income		205
		<hr/>
Keno receipts	\$	<u><u>47,565</u></u>

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 9 – INTERFUND TRANSACTIONS

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due to/from:</u>			
To reimburse Debt Service Fund for debt service payments	Debt Service	General	\$ 302,931
To reimburse Utility Fund for debt service payments	Utility	Debt Service	5,169
To reimburse General Funds for miscellaneous payments	General	Utility	260

During the year, the City transferred \$14,565 from the General Fund to the Utility Fund due to a refund relating to utility expenditures that was deposited into the wrong bank account.

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. These risks are transferred to independent insurance carriers and no self-insurance program is maintained by the City. City management believes adequate coverage exists for potential exposures as of September 30, 2021. The City did not pay any settlement amounts, which exceeded its insurance coverage for the years ending September 30, 2021, 2020, and 2019.

NOTE 11 – DESIGNATED REVENUES

The City has committed a portion of the proceeds from sales tax to be applied toward general operations, thereby providing property tax relief.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The City entered into an agreement with Iron Horse Development, LLC and Sanitary and Improvement District No. 9 of Cass County, Nebraska (the "District") to provide water and sewer infrastructure improvements necessary to serve the District. The agreement warranted immediate cash paid to the City in the amount of \$650,000, which was received on January 26, 2000. For the year ended September 30, 2003, the City received \$301,000 and an additional \$249,000 is payable from the District within 90 days of the commencement of public infrastructure improvement in the third phase, which has not yet been completed. As of September 30, 2021, the City has incurred total direct costs of \$460,897, with no expenditures in the year ending September 30, 2021.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

During the year, the City has accepted various bids for sanitary sewer improvement and other projects in the normal course of business that have not been completed and/or fully paid for at year-end. The City approved an estimate of \$569,930 towards the 2020 Sanitary Sewer Improvement Project and accepted a bid from General Excavating for that amount. As of September 30, 2021, the project had not yet been completed and the remaining balance of the contract is \$137,667.

The City is involved in various litigation matters in the normal course of business. The outcome of such litigation is not expected to have a material effect on the City's financial position or results of operations.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 7, 2022, the date on which the financial statements were available for issue.

City of Ashland, Nebraska
Schedule of Revenues, Expenditures, and Changes In
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For The Year Ended September 30, 2021

	Initial & Final Budget	Actual	Variance
Revenues			
Taxes	\$ 1,334,651	\$ 1,581,339	\$ 246,688
Licenses and permits	144,985	162,863	17,878
Intergovernmental revenues	395,339	459,411	64,072
Charges for services	41,350	50,961	9,611
Miscellaneous revenues	816,385	387,040	(429,345)
Gain on sale of assets	2,500	-	(2,500)
Ambulance fees	135,000	163,512	28,512
Rural fire department	55,311	19,261	(36,050)
Grant income	480,000	-	(480,000)
Interest income	4,925	4,647	(278)
Total revenues	<u>3,410,446</u>	<u>2,829,034</u>	<u>(581,412)</u>
Expenditures			
General government	844,109	455,106	389,003
Streets and street lighting	1,028,082	897,869	130,213
Public health and safety	753,484	661,718	91,766
Culture and recreation	628,438	504,955	123,483
Public buildings and inspections	96,640	103,671	(7,031)
Total expenditures	<u>3,350,753</u>	<u>2,623,319</u>	<u>727,434</u>
Excess of revenues over expenditures	<u>59,693</u>	<u>205,715</u>	<u>146,022</u>
Other financing uses			
Transfers to other funds	-	(14,565)	14,565
Total other financing uses	<u>-</u>	<u>(14,565)</u>	<u>14,565</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 59,693</u>	191,150	<u>\$ 131,457</u>
Fund balance - beginning of year		<u>1,142,924</u>	
Fund balance - end of year		<u>\$ 1,334,074</u>	

City of Ashland, Nebraska
Schedule of Revenues, Expenditures, and Changes In
Fund Balance - Budget and Actual (Budgetary Basis)
Special Revenue Fund
For The Year Ended September 30, 2021

	<u>Initial & Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Keno	\$ 62,000	\$ 47,565	\$ (14,435)
Interest income	150	125	(25)
Total revenues	<u>62,150</u>	<u>47,690</u>	<u>(14,460)</u>
Expenditures			
General and administrative	16,000	19,647	(3,647)
Community development	46,125	39,685	6,440
Total expenditures	<u>62,125</u>	<u>59,332</u>	<u>2,793</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 25</u>	(11,642)	<u>\$ (11,667)</u>
Fund balance - beginning of year		<u>126,590</u>	
Fund balance - end of year		<u>\$ 114,948</u>	

City of Ashland, Nebraska
Schedule of Revenues, Expenditures, and Changes In
Fund Balance - Budget and Actual (Budgetary Basis)
Debt Service Fund
For The Year Ended September 30, 2021

	Initial & Final Budget	Actual	Variance
Revenues			
Taxes	\$ 414,672	\$ 400,996	\$ (13,676)
Intergovernmental revenues	-	34,053	34,053
Special assessments	4,000	4,306	306
Interest income	-	1,458	1,458
Total revenues	<u>418,672</u>	<u>440,813</u>	<u>22,141</u>
Expenditures			
General government	-	4,071	(4,071)
Debt service			
Capital lease payments	106,963	67,808	39,155
Principal retirement	260,000	260,000	-
Interest	<u>49,233</u>	<u>49,632</u>	<u>(399)</u>
Total expenditures	<u>416,196</u>	<u>381,511</u>	<u>34,685</u>
Excess of revenues over expenditures	<u>\$ 2,476</u>	59,302	<u>\$ 56,826</u>
Fund balance - beginning of year		<u>982,534</u>	
Fund balance - end of year		<u>\$ 1,041,836</u>	

City of Ashland, Nebraska
Notes to Supplementary Information
Budgetary Comparison Schedules

1. BUDGETARY ACCOUNTING

The City prepares its budgets on the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the City and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

2. BUDGET

The City complied with its overall adopted budget for the year-ended September 30, 2021.

**Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
In Accordance With *Government Auditing Standards***

Honorable Mayor and Members of the City Council
City of Ashland, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental funds and the proprietary fund of the City of Ashland, Nebraska (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2021-001 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free, from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of budget noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Omaha, Nebraska
February 7, 2022

City of Ashland, Nebraska
Schedule of Findings and Responses
For The Year Ended September 30, 2021

2021-001 SIGNIFICANT DEFICIENCY

Segregation of Duties

Condition: The City utilizes its office and accounting personnel to segregate duties where feasible, but due to the size of the accounting and office staff the City does not have appropriate segregation of duties in all areas. There are instances where individuals responsible for performing or overseeing accounting functions also have access to cash and cash items.

Criteria: Proper internal accounting controls require segregation of duties so that no one individual has access to both the accounting records and cash items or handles a transaction from inception to completion.

Effect: Intentional or unintentional errors could be made and not be detected within a timely period by the City's management in the normal course of performing their assigned functions.

Recommendation: A remedy for this situation would be for the City to hire additional accounting staff to allow for proper internal accounting control and segregation of duties.

Response: At this time, the City's management believes that the benefit of eliminating this deficiency does not outweigh the costs of hiring additional accounting staff to allow for proper segregation of duties.